

**EAGLE GROVE
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2008

TABLE OF CONTENTS

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-12
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A 13
Statement of Activities	B 14-15
Governmental Fund Financial Statements:	
Balance Sheet	C 16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 17
Statement of Revenues, Expenditures and Changes in Fund Balances	E 18-19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 20
Proprietary Fund Financial Statements:	
Statement of Revenues, Expenses and Changes in Net Assets	G 21
Statement of Cash Flows	H 22
Notes to Financial Statements	23-30
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	31
Notes to Required Supplementary Information - Budgetary Reporting	32
Other Supplementary Information:	<u>Schedule</u>
Nonmajor Special Revenue Funds:	
Combining Balance Sheet	1 33
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 34
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3 35-36
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	4 37
Schedule of Expenditures of Federal Awards	5 38
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	39-40
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	41-42
Schedule of Findings and Questioned Costs	43-46

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
-------------	--------------	---------------------

Board of Education

(Before September, 2007 Election)

Jon Matteson	President	2007
Ann Motley	Vice President	2007
Randy Hansen		2008
Kurt Morgan		2009
Jon Rowen		2007

(After September, 2007 Election)

Randy Hansen	President	2008
Dean Shutt	Vice President	2011
Patricia Manues		2008
Charlie Bray		2009
Kurt Morgan	(Resigned April, 2008)	
Michael Moffitt	(Appointed April, 2008)	2008

School Officials

Dennis Bahr	Superintendent
Teresa Pohlman	District Secretary/ Treasurer

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of
Eagle Grove Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Eagle Grove Community School District, Eagle Grove, Iowa as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express an opinion on these financial statements based on our audit.

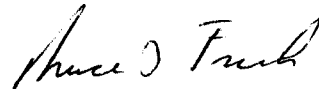
We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Eagle Grove Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 4, 2009 on our consideration of Eagle Grove Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 31 through 32 are not required parts of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Eagle Grove Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplemental information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in cursive script, appearing to read "Bruce D. Frink".

BRUCE D. FRINK
Certified Public Accountant

March 4, 2009

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

Eagle Grove Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,346,575 in fiscal year 2007 to \$8,228,278 in fiscal year 2008, while General Fund expenditures increased from \$8,118,304 in fiscal year 2007 to \$8,554,430 in fiscal year 2008.
- The increase in General Fund revenues was primarily attributable to increased local and state revenues sources. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures. Expense increases were almost entirely related to salaries and benefits.
- The School Infrastructure Local Option Sales Tax for Wright County was implemented July 1, 2003. Proceeds are being used for building projects.
- The District has occupied the new elementary school. Improvements to District facilities have been paid from a combination of bond proceeds, property taxes and local option sales tax.
- The District's 21st Century Grant that funded the after school "Connections" program decreased significantly as the five year grant period ends in fiscal year 2008. It is hoped that additional funding can be obtained to continue the program.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Eagle Grove Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Eagle Grove Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Eagle Grove Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Eagle Grove Community School District Annual Financial Report

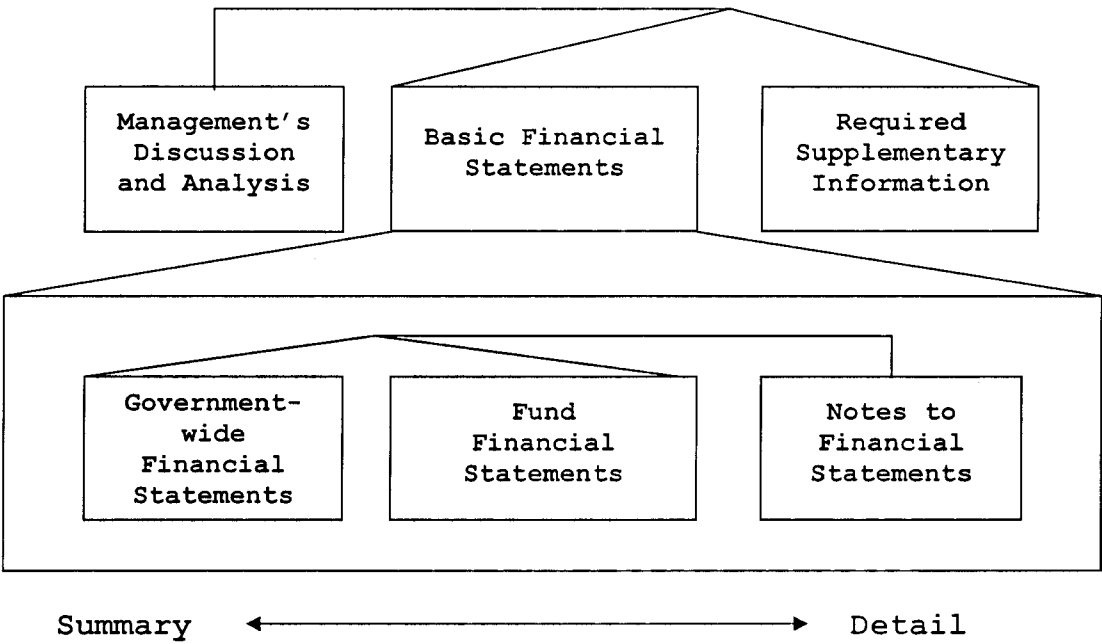


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services
Required financial statements	<ul style="list-style-type: none"> . Statement of net assets . Statement of activities 	<ul style="list-style-type: none"> . Balance sheet . Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> . Statement of net assets . Statement of revenues, expenses and changes in fund net assets . Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, Capital Projects Fund and the Debt Service Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2008 compared to 2007.

Figure A-3
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current assets	\$ 6,504	4,836	6	7	6,510	4,843	34.42%
Capital assets	10,243	10,391	10	17	10,253	10,408	-1.49%
Total assets	<u>16,747</u>	<u>15,227</u>	<u>16</u>	<u>24</u>	<u>16,763</u>	<u>15,251</u>	<u>9.91%</u>
Current liabilities	5,871	4,373	9	8	5,880	4,381	34.22%
Non-current liabilities	5,345	5,597	-	-	5,345	5,597	-4.50%
Total liabilities	<u>11,216</u>	<u>9,970</u>	<u>9</u>	<u>8</u>	<u>11,225</u>	<u>9,978</u>	<u>12.50%</u>
Net Assets							
Invested in capital assets, net of related debt	4,928	4,841	10	17	4,938	4,858	1.65%
Restricted	931	590	-	-	931	590	57.80%
Unrestricted	(328)	(174)	(3)	(1)	(331)	(175)	-189.14%
Total net assets	<u>\$ 5,531</u>	<u>5,257</u>	<u>7</u>	<u>16</u>	<u>5,538</u>	<u>5,273</u>	<u>5.03%</u>

Total net assets increased by over \$250,000. The largest portion of the increase was in the Capital Projects Fund. The General Fund decreased by over \$320,000 causing the large decrease in unrestricted funds. This accounted for the largest part of the decrease in governmental funds.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-4							
Changes in Net Assets							
(Expressed in Thousands)							
Governmental Activities		Business type Activities		Total School District		Total Change	
2008	2007	2008	2007	2008	2007	2007-08	
Revenues:							
Program revenues:							
Charges for service and sales	\$ 159	157	167	175	326	332	-1.81%
Operating grants, contributions and restricted interest	1,796	1,877	179	193	1,975	2,070	-4.59%
General revenues:							
Property tax	3,019	2,947	-	-	3,019	2,947	2.44%
Income surtax	366	-	-	-	366	-	100.00%
Local option sales tax	512	469	-	-	512	469	9.17%
Unrestricted state grants	3,637	3,676	-	-	3,637	3,676	-1.06%
Unrestricted investment earnings	15	25	-	-	15	25	-40.00%
Other	505	42	-	-	505	42	1102.38%
Total revenues	10,009	9,193	346	368	10,355	9,561	8.30%
Program expenses:							
Governmental activities:							
Instruction	5,623	5,493	-	-	5,623	5,493	2.37%
Support Services	2,825	2,555	-	-	2,825	2,555	10.57%
Non-instructional programs	176	245	355	363	531	608	-12.66%
Other expenses	1,111	997	-	-	1,111	997	11.43%
Total expenses	9,735	9,290	355	363	10,090	9,653	4.53%
Change in net assets	\$ 274	(97)	(9)	5	265	(92)	388.04%

Property tax and unrestricted state grants account for 64% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 80% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$10,008,509 and expenses were \$9,734,474. The District's General Fund decreased due to a combination of revenue decreases and increases in salaries and related benefits.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-5

Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 5,623	5,493	2.37%	4,008	4,149	-3.40%
Support Services	2,825	2,555	10.57%	2,803	2,249	24.63%
Noninstructional Programs	176	245	-28.16%	176	196	10.20%
Other expenses	<u>1,111</u>	<u>997</u>	<u>11.43%</u>	<u>792</u>	<u>662</u>	<u>19.64%</u>
Totals	<u>\$ 9,735</u>	<u>9,290</u>	<u>4.79%</u>	<u>7,779</u>	<u>7,256</u>	<u>7.21%</u>

- The cost financed by users of the District's programs was \$159,199.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,085,747.
- The net cost of governmental activities was financed with \$3,019,113 in property tax, and \$3,637,259 in state foundation aid.

Business Type Activities

Revenues of the District's business type activities were \$345,698 and expenses were \$354,511. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services and federal and state reimbursements.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted the Eagle Grove Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$469,306, three percent below last year's ending fund balances of \$483,079.

Governmental Fund Highlights

- Decreased federal funding for the 21st Century Grant. This program will have no federal funding after fiscal year 2008.
- The Physical Plant and Equipment Levy was used for regular costs as well as building projects and the balance increased.

Proprietary Fund Highlights

The Nutrition Fund struggles to maintain a positive balance given increases in food and salary costs. The District has attempted to maintain prices at a reasonable level.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund, Debt Service and Special Revenue Funds are not presented in the budgetary comparison on pages 31 and 32.

Legal Budgetary Highlights

The District's total actual receipts were approximately \$220,000 greater than the total budgeted receipts. Increases in local source revenues were the main reason.

Total expenditures were less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2008, the District has invested more than \$10.2 million, after accumulated depreciation, in a broad range of capital assets including school buildings, athletic facilities, central kitchen, maintenance and administrative buildings, computer and audiovisual equipment, maintenance equipment, school buses, library holdings and textbooks. Total depreciation expense for the year exceeded \$407,000.

The Elementary addition to the Middle School is being fully utilized.

Long-Term Debt

The District has \$5,315,000 in outstanding general obligation bonds. The bonds will be repaid with proceeds from the School Infrastructure Local Option Sales Tax and property taxes, when necessary.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The District continues to levy property taxes in fiscal year 2008 to pay for principal and interest on long-term debt.
- The District passed an Instructional Support Levy that began in fiscal year 2008.
- The District has been experiencing decreasing enrollment the past several years. Funding for the District is directly related to enrollment levels.
- Iowa law requires that unsettled salary negotiations for teachers go to mandatory arbitration. Invariably arbitrated settlements are higher than current levels of allowable growth in funding (not including the budget cuts after the contracts have been settled and people have been hired).
- Health insurance costs continue to be a concern for the District. Increased rates based on usage have brought this issue to the forefront when calculating the District's budget.
- Once again un-funded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Teresa Sadler, Business Manager, Eagle Grove Community School District, 325 N Commercial, Eagle Grove, IA 50533.

Basic Financial Statements

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2008

	Governmental Activities	Business Type Activities School Nutrition	Total
Assets			
Cash and pooled investments	\$ 929,781	-	929,781
ISCAP investments	2,029,946	-	2,029,946
Receivables:			
Property tax:			
Current year	39,694	-	39,694
Succeeding year	3,143,279	-	3,143,279
Income surtax	182,414	-	182,414
Due from other governments	173,674	-	173,674
ISCAP accrued interest receivable	5,486	-	5,486
Inventories	-	5,780	5,780
Capital assets, net of accumulated depreciation (note 3)	10,243,460	10,437	10,253,897
Total assets	16,747,734	16,217	16,763,951
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	655,859	9,322	665,181
Accrued interest payable	18,609	-	18,609
ISCAP warrants payable	2,016,000	-	2,016,000
ISCAP accrued interest payable	37,416	-	37,416
Deferred revenue:			
Succeeding year property tax	3,143,279	-	3,143,279
Long term liabilities:			
Portion due within one year:			
Bonds payable	245,000	-	245,000
Early retirement	29,741	-	29,741
Portion due after one year:			
Bonds payable	5,070,000	-	5,070,000
Total liabilities	11,215,904	9,322	11,225,226
Net assets:			
Invested in capital assets, net of related debt	4,928,460	10,437	4,938,897
Restricted for:			
Capital Projects	773,849	-	773,849
Debt Service	7,486	-	7,486
Physical Plant and Equipment Levy	98,496	-	98,496
Management levy	51,662	-	51,662
Unrestricted	(328,123)	(3,542)	(331,665)
Total net assets	\$ 5,531,830	6,895	5,538,725

See notes to financial statements.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Operating Grants, Contributions and Restricted Interest			Governmental Activities	Business Type Activities
	Expenses	Charges for Service			Total
Functions/Programs:					
Governmental activities:					
Instruction:	\$ 5,622,559	157,474	1,457,334	(4,007,751)	-
					(4,007,751)
Support services:					
Student services	183,056	-	-	(183,056)	-
Instructional staff services	277,478	-	-	(277,478)	-
Administration services	1,369,699	-	-	(1,369,699)	-
Operation and maintenance of plant services	679,055	-	19,927	(659,128)	-
Transportation services	315,870	1,725	-	(314,145)	-
	2,825,158	1,725	19,927	(2,803,506)	-
					(2,803,506)
Non-instructional programs					
Community service and education	175,824	-	-	(175,824)	-
					(175,824)
Other expenditures:					
Facilities acquisition and construction	173,839	-	13,803	(160,036)	-
Long-term debt interest and services	230,178	-	3,142	(227,036)	-
AEA flowthrough	301,638	-	301,638	-	-
Depreciation (unallocated)*	405,278	-	-	(405,278)	-
	1,110,933	-	318,583	(792,350)	-
					(792,350)
Total governmental activities	9,734,474	159,199	1,795,844	(7,779,431)	-
					(7,779,431)

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Business Type Activities Activities Total
Business type activities:				
Non-instructional programs:				
Nutrition services	354,511	167,216	178,482	- (8,813) (8,813)
Total	\$ 10,088,985	326,415	1,974,326	(7,779,431) (8,813) (7,788,244)
General Revenues:				
Property tax levied for:				
General purposes				\$ 2,270,004 - 2,270,004
Management fund				100,036 - 100,036
Capital outlay				183,427 - 183,427
Debt service				465,646 - 465,646
Income surtax				366,025 - 366,025
Local option sales tax				511,678 - 511,678
Unrestricted state grants				3,637,259 - 3,637,259
Unrestricted investment earnings				14,710 - 14,710
Other				504,681 - 504,681
Total general revenues			8,053,466	- 8,053,466
Change in net assets			274,035	(8,813) 265,222
Net assets beginning of year			5,257,795	15,708 5,273,503
Net assets end of year			\$ 5,531,830	6,895 5,538,725

* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2008

	<u>General</u>	<u>Physical Plant and Equipment Levy</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Non-major</u>	<u>Total</u>
Assets						
Cash and pooled investments	\$ 7,490	96,088	727,376	1,373	97,454	929,781
ISCAP investments	2,029,946	-	-	-	-	2,029,946
Receivables:						
Property tax:						
Current year	29,855	2,408	-	6,113	1,318	39,694
Succeeding year	2,636,687	191,226	-	215,366	100,000	3,143,279
Income surtax	182,414	-	-	-	-	182,414
Due from other governments	127,201		46,473	-	-	173,674
ISCPA accrued interest receivable	5,486	-	-	-	-	5,486
Total assets	<u>\$ 5,019,079</u>	<u>289,722</u>	<u>773,849</u>	<u>222,852</u>	<u>198,772</u>	<u>6,504,274</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 655,859	-	-	-	-	655,859
ISCAP warrants payable	2,016,000	-	-	-	-	2,016,000
ISCAP accrued interest payable	37,416	-	-	-	-	37,416
Deferred revenue:						
Succeeding year property tax	2,636,687	191,226	-	215,366	100,000	3,143,279
Income surtax	182,414	-	-	-	-	182,414
Total liabilities	<u>5,528,376</u>	<u>191,226</u>	<u>-</u>	<u>215,366</u>	<u>100,000</u>	<u>6,034,968</u>
Fund balances:						
Reserved for capital projects	-		773,849	-	-	773,849
Reserved for debt service	-		-	7,486	-	7,486
Unreserved	(509,297)	98,496	-	-	98,772	(312,029)
Total fund balance	<u>(509,297)</u>	<u>98,496</u>	<u>773,849</u>	<u>7,486</u>	<u>98,772</u>	<u>469,306</u>
Total liabilities and fund balances	<u>\$ 5,019,079</u>	<u>289,722</u>	<u>773,849</u>	<u>222,852</u>	<u>198,772</u>	<u>6,504,274</u>

See notes to financial statements.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2008

Total fund balances of governmental funds (Exhibit C)	\$ 469,306
---	------------

Amounts reported for governmental activities in the Statements of Net Assets are different because:

Income surtax receivable at June 30, 2008 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities.	182,414
--	---------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	10,243,460
--	------------

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(18,609)
--	----------

Long-term liabilities, including bonds payable and capital loan notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

General obligation bonds	\$ (5,315,000)	
Early retirement	<u>(29,741)</u>	<u>(5,344,741)</u>

Net assets of governmental activities (Exhibit A)	<u><u>\$ 5,531,830</u></u>
--	----------------------------

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2008

	General	Physical Plant and Equipment Levy	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Revenues:						
Local sources:						
Local tax	\$ 2,453,615	183,427	465,646	511,678	100,036	3,714,402
Tuition	153,399	-	-	-	-	153,399
Other	597,141	369	2,818	13,803	317,281	931,412
State sources	4,577,843	127	324	-	70	4,578,364
Federal sources	446,280	-	-	-	-	446,280
Total revenues	8,228,278	183,923	468,788	525,481	417,387	9,823,857
Expenditures:						
Instruction:	5,292,578	3,225	-	-	344,236	5,640,039
Support services:						
Student services	183,056	-	-	-	-	183,056
Instructional staff services	394,818	-	-	-	-	394,818
Administration services	1,290,154	-	-	-	79,545	1,369,699
Operation and maintenance of plant services	610,492	-	-	-	68,563	679,055
Transportation services	305,870	57,954	-	-	-	363,824
	2,784,390	57,954	-	-	148,108	2,990,452
Non-instructional programs:						
Community service and education	175,824	-	-	-	-	175,824

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2008

	General	Physical Plant and Equipment Levy	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Other expenditures:						
Facilities acquisition and construction	-	97,310	-	168,839	-	266,149
Long-term debt:						
Principal	-	-	235,000	-	-	235,000
Interest	-	-	230,366	-	-	230,366
Services	-	-	400	-	-	400
AEA flowthrough	301,638	-	-	-	-	301,638
	<u>301,638</u>	<u>97,310</u>	<u>465,766</u>	<u>168,839</u>	<u>-</u>	<u>1,033,553</u>
Total expenditures	<u>8,554,430</u>	<u>158,489</u>	<u>465,766</u>	<u>168,839</u>	<u>492,344</u>	<u>9,839,869</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(326,152)</u>	<u>25,434</u>	<u>3,022</u>	<u>356,642</u>	<u>(74,957)</u>	<u>(16,011)</u>
Other financing sources:						
Sale of property	<u>2,238</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,238</u>
	<u>2,238</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,238</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	<u>(323,914)</u>	<u>25,434</u>	<u>3,022</u>	<u>356,642</u>	<u>(74,957)</u>	<u>(13,773)</u>
Fund balances beginning of year	<u>(185,383)</u>	<u>73,062</u>	<u>4,464</u>	<u>417,207</u>	<u>173,729</u>	<u>483,079</u>
Fund balances end of year	<u>\$ (509,297)</u>	<u>98,496</u>	<u>7,486</u>	<u>773,849</u>	<u>98,772</u>	<u>469,306</u>

See notes to financial statements.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2008

Net change in fund balances - total governmental funds (Exhibit E) \$ (13,773)

*Amounts reported for governmental activities in the Statement of
Activities are different because:*

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities 182,414

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 257,604	
Depreciation expense	<u>(405,278)</u>	(147,674)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not effect the Statement of Activities.

Repaid	235,000
--------	---------

Early retirement expenses reported in the Statement of Activities do not require the use current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Additions	(16,559)	
Payments	<u>34,039</u>	17,480

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

588

Change in net assets of governmental activities (Exhibit B)	<u><u>\$ 274,035</u></u>
---	--------------------------

See notes to financial statements.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds

Year ended June 30, 2008

	<u>School Nutrition</u>
Operating revenue:	
Local sources:	
Charges for services	\$ <u>167,216</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	122,241
Benefits	37,451
Services	1,505
Supplies	190,992
Depreciation	<u>2,322</u>
Total operating expenses	<u>354,511</u>
Operating (loss)	<u>(187,295)</u>
Non-operating revenues:	
Interest on investments	22
Loss on disposal of capital assets	(3,924)
State sources	4,053
Federal sources	<u>178,331</u>
	<u>178,482</u>
Change in net assets	(8,813)
Net assets beginning of year	<u>15,708</u>
Net assets end of year	<u>\$ 6,895</u>

See notes to financial statements.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2008

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of services	\$ 167,216
Cash payments to employees for services	(159,692)
Cash payments to suppliers for goods or services	<u>(163,596)</u>
Net cash (used in) operating activities	<u>(156,072)</u>
Cash flows from non-capital financing activities:	
State grants received	4,053
Federal grants received	<u>151,997</u>
Net cash provided by non-capital financing activities	<u>156,050</u>
Cash flows from investing activities:	
Interest on investments	<u>22</u>
Net increase (decrease) in cash and cash equivalents	-
Cash and cash equivalents beginning of year	<u>-</u>
Cash and cash equivalents end of year	<u>\$ -</u>
Reconciliation of operating (loss) to net cash used in operating activities:	
Operating (loss)	\$ (187,295)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:	
Depreciation	2,322
Commodities used	26,334
Decrease in inventory	1,575
Increase in accounts payable	<u>992</u>
	<u>\$ (156,072)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received federal commodities valued at \$26,334.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies

Eagle Grove Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Eagle Grove, Iowa, and agricultural territory in Wright, Webster and Humboldt Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

A. Reporting Entity

For financial reporting purposes, Eagle Grove Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Eagle Grove Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Wright County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of Interfund activity has been removed from these statements. Governmental activities which normally are supported by tax and intergovernmental revenues are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Physical Plant and Equipment Levy Fund is utilized to account for the maintenance and equipping of the District's facilities.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District's major proprietary fund is the School Nutrition Fund. This fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year become effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2007.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year-end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities is deemed to be immaterial at June 30, 2008.

Long-term obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures in the other expenditures and support services functions exceeded the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2008.

(3) **Capital Assets**

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 131,192	-	-	131,192
Capital assets being depreciated:				
Improvements other than buildings	226,145	-	-	226,145
Buildings	12,751,323	92,310	-	12,843,633
Furniture and Equipment	2,553,277	165,294	-	2,718,571
Total capital assets being depreciated	15,530,745	257,604	-	15,788,349
Less accumulated depreciation for:				
Improvements other than buildings	199,421	3,526	-	202,947
Buildings	2,876,507	269,118	-	3,145,625
Furniture and Equipment	2,194,875	132,634	-	2,327,509
Total accumulated depreciation	5,270,803	405,278	-	5,676,081
Total capital assets being depreciated, net	10,259,942	(147,674)	-	10,112,268
Governmental activities, capital assets, net	\$ 10,391,134	(147,674)	-	10,243,460

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and Equipment	\$ 34,506	-	8,710	25,796
Less accumulated depreciation	17,823	2,322	4,786	15,359
Business type activities capital assets, net	<u>\$ 16,683</u>	<u>(2,322)</u>	<u>3,924</u>	<u>10,437</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Unallocated

\$ 405,278

Business type activities:

Food service operations

\$ 2,322

(4) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2008 is as follows:

	GO Bonds Payable	Early Retirement	Total
Balance beginning of year	\$5,550,000	47,221	5,597,221
Additions	-	16,559	16,559
Reductions	<u>235,000</u>	<u>34,039</u>	<u>269,039</u>
Balance end of year	<u>\$5,315,000</u>	<u>29,741</u>	<u>5,344,741</u>

(5) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual payroll, for the year ended June 30, 2008. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$288,602, \$267,8858, and \$249,808 respectively, equal to the required contributions for each year.

(6) Risk Management

Eagle Grove Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$301,638 for year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(8) Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is \$16,000. Early retirement benefits paid during the year ended June 30, 2008 totaled \$34,039.

(9) Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	3.00%	\$ 245,000	223,316	468,316
2010	3.00	250,000	215,966	465,966
2011	3.00	260,000	208,466	468,466
2012	3.00	270,000	199,366	469,366
2013	3.00	280,000	188,566	468,566
2014	3.00	300,000	174,566	474,566
2015	3.00	305,000	159,566	464,566
2016	3.00	320,000	147,824	467,824
2017	3.00	335,000	135,024	470,024
2018	3.00	345,000	121,456	466,456
2019	3.00	360,000	107,225	467,225
2020	3.00	375,000	91,925	466,925
2021	3.00	390,000	75,613	465,613
2022	3.00	410,000	58,258	468,258
2023	3.00	425,000	39,807	464,807
2024	3.00	445,000	20,470	465,470
Total		<u>\$5,315,000</u>	<u>2,167,414</u>	<u>7,482,414</u>

(10) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2008 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investment</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2007-08B	1/23/08	1/23/09	\$ 504,615	4,907	503,000	36,836
2008-09A	6/25/08	6/25/09	<u>1,525,331</u>	<u>579</u>	<u>1,513,000</u>	<u>580</u>
Total			<u>\$2,029,946</u>	<u>5,486</u>	<u>2,016,000</u>	<u>37,416</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2008 is as follows:

<u>Series</u>	<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
2007-08B	\$ -	866,000	866,000	-
2008-09A	-	<u>1,007,614</u>	<u>1,007,614</u>	-
	<u>\$ -</u>	<u>1,873,614</u>	<u>1,873,614</u>	<u>-</u>

The warrants bear an interest rate and the proceeds of the warrants are invested at an interest rate as shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2007-08A	4.500%	5.455%
2007-08B	3.750%	3.451%
2008-09A	3.500%	3.469%

(11) Contingencies

The District is currently involved in a dispute with the firm that served as project manager for the elementary school construction project. At issue is the amount of money that the District owes the project manager for his services. According to district legal counsel in the matter, no probable outcome can be determined at this time, thus no liability has been reflected in the financial statements.

Required Supplementary Information

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2008

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual	Actual	Original	Final	
Revenues:						
Local sources	\$ 4,799,213	167,238	4,966,451	4,739,555	4,739,555	226,896
State sources	4,578,364	4,053	4,582,417	4,501,929	4,501,929	80,488
Federal sources	446,280	178,331	624,611	710,000	710,000	(85,389)
Total revenues	<u>9,823,857</u>	<u>349,622</u>	<u>10,173,479</u>	<u>9,951,484</u>	<u>9,951,484</u>	<u>221,995</u>
Expenditures						
Instruction	5,640,039	-	5,640,039	5,929,238	5,929,238	289,199
Support services	2,990,452	-	2,990,452	2,833,717	2,833,717	(156,735)
Non-instructional programs	175,824	354,511	530,335	700,115	700,115	169,780
Other expenditures	1,033,553	-	1,033,553	1,029,996	1,029,996	(3,557)
Total expenditures	<u>9,839,868</u>	<u>354,511</u>	<u>10,194,379</u>	<u>10,493,066</u>	<u>10,493,066</u>	<u>298,687</u>
Excess (deficiency) of revenues over (under) expenditures	(16,011)	(4,889)	(20,900)	(541,582)	(541,582)	520,682
Other financing sources (uses)	<u>2,238</u>	<u>-</u>	<u>2,238</u>	<u>5,000</u>	<u>5,000</u>	<u>(2,762)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(13,773)	(4,889)	(18,662)	(536,582)	(536,582)	517,920
Balance beginning of year	<u>483,079</u>	<u>15,708</u>	<u>498,787</u>	<u>164,934</u>	<u>164,934</u>	<u>333,853</u>
Balance end of year	<u>\$ 469,306</u>	<u>10,819</u>	<u>480,125</u>	<u>(371,648)</u>	<u>(371,648)</u>	<u>851,773</u>

See accompanying independent auditor's report.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2008, expenditures in the other expenditures and support services functions exceeded the amounts budgeted. The District did not exceed the General Fund unspent authorized budget.

Other Supplementary Information

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2008

	Management Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 80,085	17,369	97,454
Property tax receivable:			
Current year	1,318	-	1,318
Succeeding year	100,000	-	100,000
Total assets	<u>\$ 181,403</u>	<u>17,369</u>	<u>198,772</u>
Liabilities and Fund Balance			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 100,000	-	100,000
	100,000	-	100,000
Fund balance:			
Unreserved fund balances	81,403	17,369	98,772
Total liabilities and fund balance	<u>\$ 181,403</u>	<u>17,369</u>	<u>198,772</u>

See accompanying independent auditor's report.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds

Year ended June 30, 2008

	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 100,036	-	100,036
Other	19,361	297,920	317,281
State sources	70	-	70
Total revenues	<u>119,467</u>	<u>297,920</u>	<u>417,387</u>
Expenditures:			
Instruction:	33,459	310,777	344,236
Support services:			
Administration services	79,545	-	79,545
Plant operation and maintenance	<u>68,563</u>	<u>-</u>	<u>68,563</u>
Total expenditures	<u>181,567</u>	<u>310,777</u>	<u>492,344</u>
(Deficiency) of revenues (under) expenditures	(62,100)	(12,857)	(74,957)
Fund balances beginning of year	<u>143,503</u>	<u>30,226</u>	<u>173,729</u>
Fund balances end of year	<u>\$ 81,403</u>	<u>\$ 17,369</u>	<u>\$ 98,772</u>

See accompanying independent auditor's report.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
HS Musical	\$ 5,652	2,986	3,345	5,293
HS Speech/Drama	242	133	133	242
MS Speech/Drama	(196)	196	-	-
Trip Fund/Music Department	4,285	23,104	27,380	9
Music Concession Account	736	2,016	2,752	-
Color Guard	(462)	462	-	-
HS Music Account	7,245	-	5,720	1,525
Middle School Music	-	80	80	-
General Athletic Account	(18,585)	27,318	30,764	(22,031)
Athletic Resale Account	-	1,042	892	150
HS Boys Basketball	2,952	4,148	7,100	-
MS Boys Basketball	(500)	750	250	-
Boys Basketball Camp	153	250	-	403
HS Football	62	19,805	19,867	-
MS Football	(842)	1,608	766	-
Football Camp	1,254	7,857	7,623	1,488
Baseball	(3,543)	8,282	4,739	-
HS Cross Country	385	701	1,086	-
HS Cross Country Extracurricular	1,243	1,026	830	1,439
HS Boys Track	(743)	7,913	7,170	-
MS Boys Track	(5)	978	973	-
HS Boys Golf	(57)	624	567	-
HS Wrestling	1,682	8,893	10,575	-
MS Wrestling	(350)	350	-	-
HS Girls Basketball	2,158	4,656	6,814	-
Girls Basketball Camp	-	2,680	1,717	963
MS Girls Basketball	(1,250)	1,250	-	-
Volleyball Camp	32	1,688	1,240	480
HS Volleyball	950	6,370	7,320	-
MS Volleyball	(700)	700	-	-
Softball	(4,835)	4,835	-	-
HS Girls Cross Country	(806)	1,855	1,049	-
HS Girls Cross Country Extracurricular	2,431	400	154	2,677
HS Girls Track	(587)	4,822	4,235	-
MS Girls Track	(225)	943	718	-
HS Girls Golf	(183)	241	58	-
Interest Account	668	-	668	-
HS Annual	(9,762)	2,562	9,596	(16,796)
Book Fair	1,093	6,935	6,660	1,368
Student Extracurricular	822	1,441	1,457	806
HS Student Fundraising	4,535	23,029	18,785	8,779
HS Science Club	1,064	6,181	5,951	1,294
Student Activity Tickets	12,881	105	12,986	-

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Adult Activity Tickets	1,155	-	1,155	-
HS Quiz Bowl	(403)	403	-	-
Special Olympics	-	833	720	113
MS Student Senate	3,228	18,238	17,416	4,050
MS Student Fundraising	1,480	2,022	2,107	1,395
Destination Imagination	540	-	-	540
Cheerleaders	14	4,394	4,408	-
Drill Team	(3,782)	15,595	11,164	649
FFA	1,421	10,411	11,811	21
Spanish Club	3,643	3,977	758	6,862
National Honor Society	926	7,855	7,571	1,210
FBLA	2,143	29,715	28,696	3,162
FCCLA	951	1,854	1,992	813
HS Student Senate	1,157	2,059	2,562	654
Caring for Kids	624	400	1,024	-
Health Fair	-	1,000	-	1,000
FCS Businesses	2,726	1,176	1,124	2,778
Robert Blue School Yearbook	2,820	1,131	452	3,499
Class of 2013	44	-	-	44
Class of 2007	74	-	74	-
Class of 2008	(12)	12	-	-
Class of 2009	1,131	4,630	5,643	118
Class of 2010	1,452	-	56	1,396
Class of 2011	-	1,000	24	976
Totals	\$ 30,226	297,920	310,777	17,369

See accompanying independent auditor's report.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Five Years

	Modified Accrual Basis				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 3,714,402	3,415,934	3,021,844	2,742,246	2,674,602
Tuition	153,399	155,590	138,627	125,970	75,470
Other	931,412	601,514	474,317	789,654	536,334
State sources	4,578,364	4,373,571	4,129,322	4,498,530	4,007,474
Federal sources	446,280	503,406	650,792	303,023	304,138
Total	<u>\$ 9,823,857</u>	<u>9,050,015</u>	<u>8,414,902</u>	<u>8,459,423</u>	<u>7,598,018</u>
Expenditures:					
Instruction	\$ 5,640,039	5,498,933	5,165,387	4,705,343	4,521,003
Support services:					
Student	183,056	201,185	186,211	252,973	274,259
Instructional staff	394,818	372,808	326,432	420,245	393,046
Administration	1,369,699	996,747	915,737	880,991	976,983
Operation and maintenance of plant	679,055	797,536	718,919	679,021	581,850
Transportation	363,824	289,766	365,263	254,764	280,667
Non-instructional programs	175,824	244,747	238,275	289,015	252,935
Other expenditures:					
Facilities acquisition	266,149	1,682,711	4,722,310	1,526,687	93,694
Debt service:					
Principal	235,000	225,000	231,000	257,000	22,000
Interest and services	230,766	237,316	244,045	231,385	2,826
AEA flowthrough	301,638	293,439	277,832	277,089	278,690
Total	<u>\$ 9,839,868</u>	<u>10,840,288</u>	<u>13,391,411</u>	<u>9,774,513</u>	<u>7,677,953</u>

See accompanying independent auditor's report.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
National School Breakfast Program	10.553	FY08	\$ 26,077
Food Distribution (noncash)	10.555	FY08	26,334
National School Lunch Program	10.555	FY08	<u>125,920</u>
			<u>178,331</u>
Department of Justice:			
Iowa Department of Education:			
Juvenile Justice and Delinquency Prevention	16.523	FY08	22,303
Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	1944-G-08	107,940
Safe and Drug-Free Schools and Communities - States Grants	84.186	FY08	1,143
Innovative Education Program Strategies	84.298	FY08	1,538
21st Century Community Learning Centers Program	84.287	FY08	170,875
Improving Teacher Quality - States Grants	84.367	FY08	32,138
Grants for Assessments and Related Activities	84.369	FY03	6,034
Vocational Education - Basic Grants to States	84.048	FY08	5,249
Area Education Agency 8:			
Special Education - Grants to States (IDEA Part B)	84.027	FY08	<u>46,192</u>
Total			<u>\$ 571,743</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Eagle Grove Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

BRUCE D. FRINK

Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of
Eagle Grove Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Eagle Grove Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 4, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Eagle Grove Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Eagle Grove Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Eagle Grove Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency and to be a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Eagle Grove Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Eagle Grove Community School District's financial statements that is more than inconsequential will not be prevented or detected by Eagle Grove Community School District's internal control. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

202 Central Avenue East
P.O. Box 241
Clarion, IA 50525

Phone: (515) 532-6659
Fax: (515) 532-3677
bruce@frinkcpa.com

A material weakness is a significant deficiency, or combination of significant deficiencies that result in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Eagle Grove Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above, item 08-II-A, is a material weakness.

Compliance and Other Matters

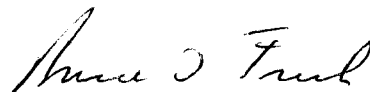
As part of obtaining reasonable assurance about whether Eagle Grove Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Eagle Grove Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Eagle Grove Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Eagle Grove Community School District and other parties to whom Eagle Grove Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Eagle Grove Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

March 4, 2009

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of
Eagle Grove Community School District:

Compliance

We have audited the compliance of Eagle Grove Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Eagle Grove Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants agreements applicable to each of its major federal programs is the responsibility of Eagle Grove Community School District's management. Our responsibility is to express an opinion on Eagle Grove Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Eagle Grove Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Eagle Grove Community School District's compliance with those requirements.

In our opinion Eagle Grove Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Eagle Grove Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Eagle Grove Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Eagle Grove Community School District's internal control over compliance.

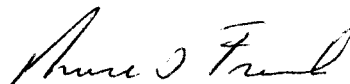
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of a compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 08-III-A to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies that result in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 08-III-A to be material weakness.

Eagle Grove Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit Eagle Grove Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Eagle Grove Community School District and other parties to whom Eagle Grove Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



BRUCE D. FRINK
Certified Public Accountant

March 4, 2009

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
Clustered programs
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.553 - School Breakfast Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Eagle Grove Community School District did not qualify as a low-risk auditee.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

08-II-A SEGREGATION OF DUTIES

Comment - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although the District does a fine job of dividing incompatible duties among existing personnel, the District Secretary still has the ability to override the system without the knowledge of any other personnel.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

Part III: Findings For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

CFDA Number: 84.010 Title I Grants to Local Educational Agencies
Federal Award Year: 2008
US Department of Education
Passed through Iowa Department of Education

CFDA Number: 10.555 National School Lunch Program
Federal Award Year: 2008
US Department of Education
Passed through Iowa Department of Education

CFDA Number: 10.553 School Breakfast Program
Federal Award Year: 2008
US Department of Education
Passed through Iowa Department of Education

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Part III: Findings For Federal Awards:
(continued)

08-III-A Segregation of Duties over Federal Funds - The District did not properly segregate custody, record keeping and reconciling functions for funds, including those related to Federal programs.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

08-IV-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2008.

08-IV-B Certified Budget - Expenditures for the year ending June 30, 2008, exceeded the certified budget amounts in the other expenditures and support services functions.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

08-IV-C Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

08-IV-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

08-IV-E Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

08-IV-F Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

08-IV-G Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Part IV: Other Findings Related to Required Statutory Reporting:
(continued)

08-IV-H Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Patricia Manues Board Member	Early retirement	\$16,000
	Sub pay	<u>2,498</u>
		<u>\$18,498</u>

In accordance with Chapter 279.7A of the Code of Iowa, the transactions with Ms. Manues exceeds the \$2,500 limit allowed by Iowa law. The \$16,000 early retirement payment was paid to Ms. Manues prior to her election to the Board and is thus not considered in determining compliance with Chapter 279.7A.

Recommendation - The District should consult legal counsel regarding these expenditures to ensure compliance with the Code of Iowa.

Response - We will review these on an annual basis and consult with our attorney when needed.

Conclusion - Response accepted.

08-IV-I Certified Annual Report - The Certified Annual Report was filed in a timely manner. No significant deficiencies were noted in the amounts reported.

08-IV-J Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.